

Message Text

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ACTION EA-14

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E.O. 11652: GDS

TAGS: ENRG EFIN UR JA US

SUBJ: JAPAN-SOVIET TALKS ON SIBERIAN DEVELOPMENT

REF: MOSCOW 14415

SUMMARY: EMBASSY HAS CONFIRMED WITH SOURCES IN FEDERATION OF ECONOMIC ORGANIZATIONS (YASUSHI SAKURAI, INTERNATIONAL ECONOMIC AFFAIRS), TOKYO GAS CORPORATION (VICE PRESIDENT TAKEO MURAKAMI) AND SOVIET TRADE REPRESENTATION (VALERY FEDOTOV), GENERAL OUTLINE CONTAINED IN REFTEL OF AGENDA FOR SIXTH JOINT JAPAN-SOVIET ECONOMIC COUNCIL MEETING OCTOBER 29-NOVEMBER 1. SOURCES AGREE THAT DEFINITE AGREEMENTS WILL PROBABLY NOT BE REACHED AT MEETING, BUT HIGH LEVEL ATTENTION WILL GIVE NEEDED BOOST TO SEVERAL IMPORTANT PROJECTS LONG UNDER DISCUSSION, AND WILL SERVE AS USEFUL FORUM FOR EXCHANGE OF DETAILED VIEWS IN SUBCOMMITTEE MEETINGS. FOLLOWING PARAGRAPHS TAKE UP SPECIFIC PROJECTS IN ORDER OF PRIORITY.

1. YAKUTSK NATURAL GAS. SOVIET TECHNICAL

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GROUP DUE IN TOKYO DURING NEXT TWO WEEKS TO DISCUSS

LATEST JAPANESE PROPOSAL. JAPAN-SOVIET PROTOCOL FOR \$100 MILLION JAPAN EXPORT-IMPORT BANK CREDIT WILL EXPIRE ON OCTOBER 22 UNLESS EXTENDED. JAPANESE FULLY AWARE OF DIFFICULTIES FACING U.S. SIDE WITH REGARD TO U.S. EXPORT-IMPORT BANK LAW AND TRADE BILL, BUT ARE HOPEFUL U.S. WILL TAKE POSITIVE STANCE TOWARDS ECONOMIC COOPERATION WITH SOVIET UNION AT US-SOVIET TRADE COMMISSION MEETING OCTOBER 14-22. THIS WOULD, THEY FEEL, FACILITATE EXTENSION OF PROTOCOL DEADLINE. ON OCTOBER 22-23 TOKYO GAS PRESIDENT ANZAI AND EL PASO CHAIRMAN BOYD WILL PUT GENERAL AGREEMENT INTO FINAL FORM AT GENEVA, AND THEN MEET WITH SOVIETS OCTOBER 25-26. FEDOTOV SAYS GENERAL AGREEMENT MIGHT BE REACHED BEFORE JOINT COUNCIL MEETING, BUT JAPANESE DOUBT THAT SOVIETS CAN COMPLETE THEIR REVIEW BY OCTOBER 28. IF ALL GOES WELL -- AND EVEN IF U.S. EX-IM BANK CAN PARTICIPATE, LOAN TERMS WILL REQUIRE HARD BARGAINING -- JAPANESE THINK AGREEMENT MIGHT BE REACHED BY END OF YEAR.

2. SAKHALIN EXPLORATION. SINCE EX-IM BANK FINANCING NOT REQUIRED FOR THIS PROJECT, TALKS BETWEEN JAPAN AND SOVIETS, AND BETWEEN JAPAN AND GULF OIL ON TECHNICAL SERVICES AGREEMENT AND RISK-CAPITAL PARTICIPATION, PROCEEDING RELATIVELY SMOOTHLY. DRAFT GENERAL AGREEMENT HAS BEEN DELIVERED TO SOVIETS THROUGH THEIR TOKYO TRADE REPRESENTATION. JAPANESE HAVE REQUESTED NEGOTIATIONS BE HELD PRIOR TO ECONOMIC COUNCIL MEETING, BUT SOVIETS HAVE NOT YET RESPONDED.

3. TYUMEN. SOVIETS WILL PRESS JAPAN AGAIN AT JOINT MEETING TO RESPOND TO THEIR MARCH PROPOSAL FOR JOINT DEVELOPMENT OF TYUMEN'S OBLAST. IMAZATO WILL FORMALLY RESPOND THAT JAPAN WILL NOT JOIN IN TYUMEN VENTURE IN MANNER THUS FAR PROPOSED.

4. PULP AND PAPER COMPLEX. ALTHOUGH JAPANESE VERY INTERESTED IN TWO SITES ON COAST SUGGESTED BY SOVIETS FOR 500,000 CAPACITY PLANTS, SOVIETS HAVE PROVIDED NO DETAILS AND STATE THEY DO NOT WANT TO DISCUSS PROJECTS AT SUB-COMMITTEE, I.E., TECHNICAL, LEVEL DURING ECONOMIC COUNCIL CONFIDENTIAL

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MEETING. SOVIETS SEEM TO JAPANESE MORE INTERESTED IN YENISSEISK PROJECT WEST OF LAKE BAIKAL, IN WHICH THEY HAVE REPORTEDLY ALSO INVITED U.S. AND WEST GERMAN TO PARTICIPATE.

5. IN ADDITION TO ABOVE, PROGRESS REPORTS ON TOW TIMBER AND WOODCHIP PROJECTS AND CONSTRUCTION OF WRANGEL PORT WILL BE PRESENTED. GENERAL DISCUSSION WILL ALSO BE HELD ON LONG TERM FORECASTS

FOR ECONOMIC GROWTH IN BOTH COUNTRIES WITH AIM OF
DELINEATING AREAS FOR COOPERATION. APPROXIMATELY 30
PROJECTS NOW UNDER CONSIDERATION BY INDIVIDUAL JAPANESE
FIRMS OR INDUSTRIES. THESE INCLUDE ENRICHED URANIUM.
LUMBER RECYCLING, STEEL-MILL CONSTRUCTION, NON-FERROUS
METALS DEVELOPMENT, COAL, IRON ORE AND CHEMICAL PLANTS.
ONE OR MORE OF THESE PROJECTS MAY BE NOMINATED FOR QTE
NATIONAL PROJECT UNQTE STATUS AT THE ECONOMIC COUNCIL
MEETING.
HODGSON

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